

**IRS ANNOUNCES 1999 LIMITATIONS ADJUSTED AS PROVIDED
IN SECTION 415(d) OF THE INTERNAL REVENUE CODE**

Washington -- The Internal Revenue Service today announced cost-of-living adjustments applicable to dollar limitations that are adjusted at the same time and in the same manner as provided in section 415(d) of the Internal Revenue Code.

Section 415 of the Internal Revenue Code provides for dollar limitations on benefits and contributions under qualified retirement plans. It also requires that the Commissioner annually adjust these limits for cost-of-living increases. Effective January 1, 1999, the limitation on the annual benefit under a defined benefit plan under section 415(b)(1)(A) remains unchanged at \$130,000. For participants who separated from service before January 1, 1999, the limitation for defined benefit plans under section 415(b)(1)(B) is computed by multiplying the participant's compensation limitation, as adjusted through 1998, by 1.0160.

The limitation for defined contribution plans under section 415(c)(1)(A) remains unchanged at \$30,000.

The Code provides that various other dollar amounts are to be adjusted at the same time and in the same manner as the dollar limitation of section 415(b)(1)(A). These dollar amounts and the adjusted amounts are as follows:

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The limitation under section 402(g)(1) on the exclusion for elective deferrals described in section 402(g)(3) remains unchanged at \$10,000.

The dollar amount under section 409(o)(1)(C)(ii) for determining the maximum account balance in an employee stock ownership plan subject to a 5-year distribution period is increased from \$725,000 to \$735,000, while the dollar amount used to determine the lengthening of the 5-year distribution period remains unchanged at \$145,000.

The limitation used in the definition of highly compensated employee under section 414(q)(1)(B) remains unchanged at \$80,000.

The annual compensation limit under sections 401(a)(17) and 404(l) remains unchanged at \$160,000. The annual compensation limitation under section 401(a)(17) for eligible participants in certain governmental plans that, under the plan as in effect on July 1, 1993, allowed cost-of-living adjustments to the compensation limitation under the plan under section 401(a)(17) to be taken into account, is increased from \$265,000 to \$270,000.

The compensation amount under section 408(k)(2)(C) regarding simplified employee pensions (SEPs) remains unchanged at \$400. The compensation amount under section 408(k)(3)(C) for SEPs remains unchanged at \$160,000.

The limitation under section 408(p)(2)(A) regarding simple retirement accounts remains unchanged at \$6,000.

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The limitation on deferrals under sections 457(b)(2) and (c)(1) concerning deferred compensation plans of state and local governments and tax-exempt organizations remains unchanged at \$8,000.

The compensation amounts under sections 1.61-21(f)(5)(i) and (iii) of the Income Tax Regulations concerning the definition of “control employee” for fringe benefit valuation purposes are \$70,000 and \$145,000, respectively.

Administrators of defined benefit or defined contribution plans that have received favorable determination letters should not request new determination letters solely because of yearly amendments to adjust maximum limitations in the plans.

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